

NATIONAL ASSEMBLY
QUESTION FOR ORAL REPLY
QUESTION NUMBER: 370 [NO2381E]

★370. Rev K R J Meshoe (ACDP) to ask the Minister of Finance:

Whether, in light of the higher spending on social grants, hospitals and other Covid-19-related matters, as well as increased debt service costs with projected lower tax collection, the National Treasury is confident it will achieve fiscal sustainability and consolidate its debt targets; if not, what is the position in this regard; if so, what are the relevant details?

NO2381E

REPLY:

The short-term fiscal measures adopted are meant to provide support to the economy by maintaining the spending envelope in the context of falling tax revenue, redirect funds towards the response to Covid-19 interventions, and provide support to business by raising the contingent liabilities of the state. In this regard, government has taken a countercyclical approach in response to the COVID-19 pandemic in 2020/21, in which the main budget deficit is projected to widen to 14.6 per cent of GDP and debt to reach 81.8 per cent of GDP. Cabinet endorsed an active approach that will adjust expenditure to a sustainable level as well as a target of a primary surplus by 2023/24. Government stabilises debt in 2023/24 through a combination of reforms that boost economic growth and measures to increase revenue collection and lower expenditure. This will require spending reductions and revenue adjustments amounting to approximately R250 billion over the next two years, beginning in 2021/22.

Work is underway to ensure that fiscal consolidation and debt stabilisation is achieved. As mentioned in the 2021 MTEF technical guidelines, the National Treasury in collaboration with departments will be undertaking spending reviews to contribute to the fiscal consolidation process. In this regard, there should be no “holy cows” and no spending items will be automatically protected from possible downward adjustments. The details of the spending reductions and revenue measures will be presented in the 2020 MTBPS and 2021 Budget Review.